

SAYDEL COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2007

Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis (MD&A)	4-13
Basic Financial Statements:	<u>Exhibit</u>
Government-Wide Financial Statements:	
Statement of Net Assets	A 14
Statement of Activities	B 15
Governmental Fund Financial Statements:	
Balance Sheet	C 16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 17
Statement of Revenues, Expenditures and Changes in Fund Balances	E 18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 19
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 20
Statement of Revenues, Expenses and Changes in Net Assets	H 21
Statement of Cash Flows	I 22
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	J 23
Statement of Changes in Fiduciary Net Assets	K 24
Notes to Financial Statements	25-35
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	36
Notes to Required Supplementary Information - Budgetary Reporting	37
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 38
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2 39
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 40
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4 41
Schedule of Expenditures of Federal Awards	5 42-43
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	44-45
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	46-47
Schedule of Findings and Questioned Costs	48-52

Saydel Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2006 Election)		
Joel Goodwin	President	2007
Buddy Hicks	Vice President	2007
Ray Livingston	Board Member	2006
Susan Moon	Board Member	2006
Kirk Hartung	Board Member	2007
Brian Bowman	Board Member	2008
Paul Breitbarth	Board Member	2008
Board of Education (After September 2006 Election)		
Joel Goodwin	President	2007
Buddy Hicks	Vice President	2007
Kirk Hartung	Board Member	2007
Brian Bowman	Board Member	2008
Paul Breitbarth	Board Member	2008
Ray Livingston	Board Member	2009
Melissa Sassman	Board Member	2009
School Officials		
Dr. Debra Van Gorp	Superintendent	2007
Joyce M. Thomsen	Business Manager/ Board Treasurer	2007
Jane Prange	Board Secretary	2007
Brian Gruhn	Attorney	2007
Ahlers & Cooney, P.C.	Attorney	2007

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Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Saydel Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Saydel Community School District, Des Moines, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Saydel Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

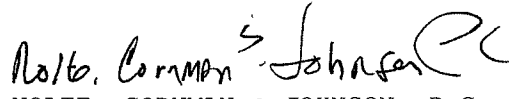
In accordance with Government Auditing Standards, we have also issued our report dated December 10, 2007 on our consideration of Saydel Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 37 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Saydel Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

December 10, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Saydel Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$11,698,606 in fiscal 2006 to \$12,113,655 in fiscal 2007, while General Fund expenditures increased from \$12,036,032 in fiscal 2006 to \$12,418,606 in fiscal 2007. This resulted in a decrease in the District's General Fund balance from \$2,628,542 in fiscal 2006 to a balance of \$2,323,591 in fiscal 2007, a 11.60% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and state sources in fiscal 2007. The increase in expenditures was due primarily to an increase in the instruction functional area.
- October 2006 Certified Enrollment count resulted in a decrease of 34.6 students, representing a 2.55% decrease compared to the prior year.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Saydel Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Saydel Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Saydel Community School District acts solely as an agent or custodial for the benefit of those outside of District government.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

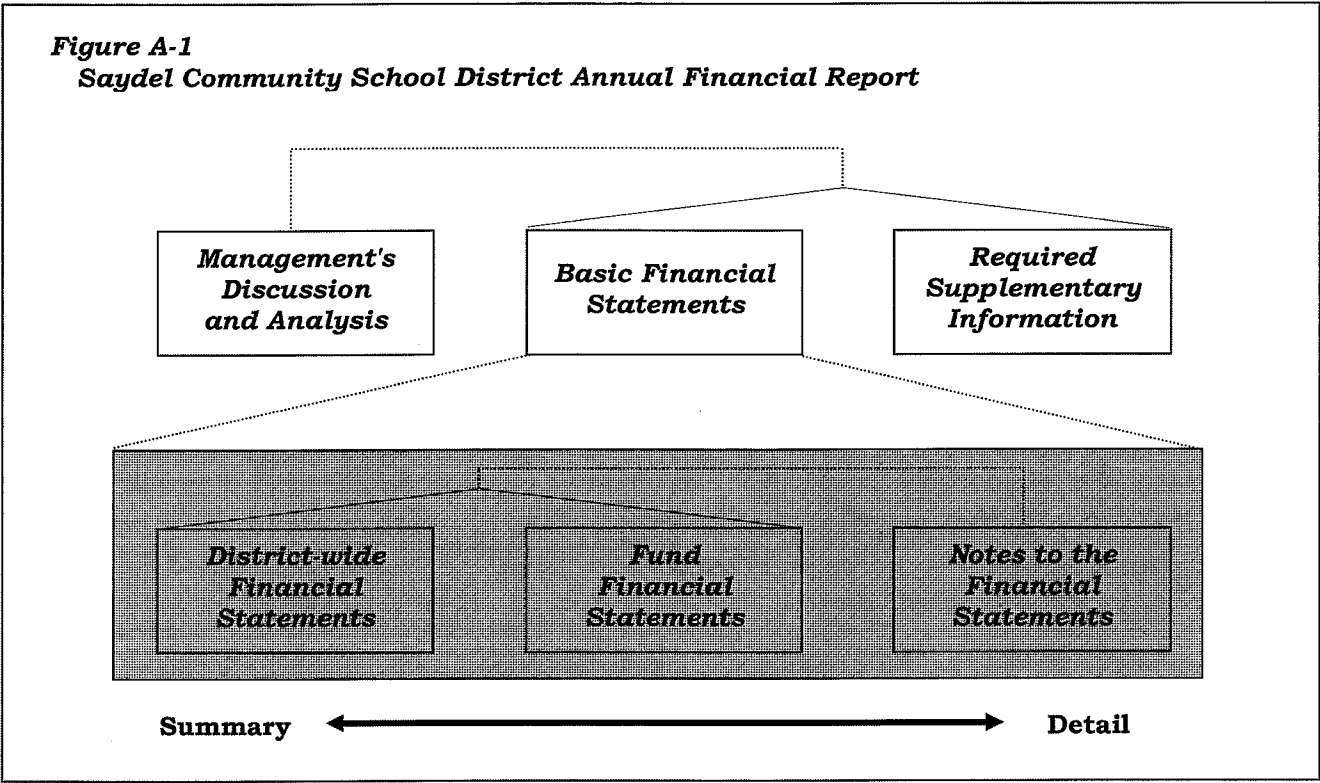


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has three enterprise funds, the School Nutrition Fund, the Cornell Elementary Preschool Fund and the Eagles Nest Daycare Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 15,916,498	15,242,751	264,741	274,719	16,181,239	15,517,470	4.28%
Capital assets	11,906,128	12,501,195	106,278	96,300	12,012,406	12,597,495	-4.64%
Total assets	27,822,626	27,743,946	427,368	371,019	28,193,645	28,114,965	0.28%
Long-term obligations	8,389,231	9,566,794	0	0	8,389,231	9,566,794	-12.31%
Other liabilities	8,681,930	8,565,677	18,948	9,033	8,700,878	8,574,710	1.47%
Total liabilities	17,071,161	18,132,471	18,948	9,033	17,090,109	18,141,504	-5.80%
Net assets:							
Invested in capital assets, net of related debt	7,215,810	6,027,287	106,278	96,300	7,322,088	6,123,587	19.57%
Restricted	1,272,583	1,021,789	0	0	1,272,583	1,021,789	24.54%
Unrestricted	2,263,072	2,562,399	302,142	265,686	2,565,214	2,828,085	-9.30%
Total net assets	\$ 10,751,465	9,611,475	408,420	361,986	11,159,885	9,973,461	11.90%

The District's combined net assets increased by 11.90%, or \$1,186,424, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$250,794, or 24.54% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$262,871, or 9.30%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 1,367,372	1,205,035	460,118	453,705	1,827,490	1,658,740	10.17%
Operating grants and contributions and restricted interest	1,357,551	1,211,921	300,917	293,656	1,658,468	1,505,577	10.15%
General revenues:							
Property tax	6,649,531	5,983,845	0	0	6,649,531	5,983,845	11.12%
Local option sales and services tax	1,382,963	1,333,686	0	0	1,382,963	1,333,686	3.69%
Unrestricted state grants	4,496,528	4,590,581	0	0	4,496,528	4,590,581	-2.05%
Other	500,846	491,174	9,514	7,092	510,360	498,266	2.43%
Total revenues	15,754,791	14,816,242	770,549	754,453	16,525,340	15,570,695	6.13%
Program expenses:							
Governmental activities:							
Instructional	8,570,997	7,662,583	0	0	8,570,997	7,662,583	11.86%
Support services	4,721,643	4,831,223	0	0	4,721,643	4,831,223	-2.27%
Non-instructional programs	0	250	724,115	665,321	724,115	665,571	8.80%
Other expenses	1,294,535	1,645,053	0	0	1,294,535	1,645,053	-21.31%
Total expenses	14,587,175	14,139,109	724,115	665,321	15,311,290	14,804,430	3.42%
Change in net assets before other financing uses	1,167,616	677,133	46,434	89,132	1,214,050	766,265	58.44%
Transfer out	(27,626)	0	0	0	(27,626)	0	-100.00%
Change in net assets	1,139,990	677,133	46,434	89,132	1,186,424	766,265	54.83%
Beginning net assets	9,611,475	8,934,342	361,986	272,854	9,973,461	9,207,196	8.32%
Ending net assets	\$ 10,751,465	9,611,475	408,420	361,986	11,159,885	9,973,461	11.90%

In fiscal 2007, property tax, local option sales and services tax and unrestricted state grants account for 79.53% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.77% of the revenue from business type activities.

The District's total revenues were approximately \$16.5 million of which \$15.8 million was for governmental activities and less than \$0.8 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.13% increase in revenues and a 3.42% increase in expenses. The increase in expenses related to increase in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$15,754,791 and expenses and transfers out were \$14,614,801.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 8,570,997	6,274,100
Support services	4,721,643	4,717,031
Other expenses	1,294,535	871,121
Totals	<u>\$ 14,587,175</u>	<u>11,862,252</u>

- The cost financed by users of the District's programs was \$1,367,372.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,357,551.
- The net cost of governmental activities was financed with \$6,649,532 in property tax, \$1,382,963 in local option sales and services tax, \$4,496,528 in unrestricted state grants, \$298,546 in interest income and \$202,300 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$770,549 and expenses were \$724,115. The District's business-type activities include the School Nutrition Fund, the Cornell Elementary Preschool, and the Eagles Nest Daycare. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Saydel Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$7,331,492, above last year's ending fund balances of a \$6,788,543. However, the primary reason for the increase in combined fund balances in fiscal 2007 is due to increase in the Debt Service Fund balance.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Overall, District revenues for fiscal 2007 increased 3.55%, or \$415,049, as compared to one year ago. The expenses, which were in prior year higher than the revenues, continued to increase rising by 3.18%, or \$382,574. The expenses over revenues in the amount of \$304,951 ensured the financial position of the General Fund would decline.
- The Management Levy Fund balance increased from \$941,026 in fiscal 2006 to \$969,014 in fiscal 2007. The 86.45% increase in property tax monies received by the District as compared to fiscal 2006 ensured that the Management Levy Fund would increase in fund balance. The revenues received in fiscal 2007 (\$449,194) for the Management Levy Fund was far greater than expenditures (\$284,334). This balance will be used in the future for early retirement incentives and property insurance.
- The Physical Plant and Equipment Levy Fund balance increased from \$151,358 in fiscal 2006 to \$442,892 in fiscal 2007. The increase is due to a decrease in property improvements and equipment purchases compared to prior year.

-
- The Debt Service Fund balance increased from \$3,007,561 in fiscal 2006 to \$3,328,115 in fiscal 2007. The increase is due to debt requirements for obligations to be paid in the future.
 - The Capital Projects Fund balance increased from a deficit \$30,740 in fiscal 2006 to \$178,491 in fiscal 2007. This was partially due to a decrease in transfers of money from this fund to the Debt Service Fund to pay off District bond obligations during the year.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$361,986 at June 30, 2006 to \$408,420 at June 30, 2007, representing an increase of 12.83%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Saydel Community School District amended its annual budget one time to reflect additional expenditures associated with all functional areas.

The District's revenues were \$609,102 less than budgeted revenues, a variance of 3.56%. The most significant variance resulted from the District receiving less in local source revenues than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. In a difficult budget year, the District amended budgeted disbursements one time by \$1,349,513 in the instruction and support services functional areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$12.0 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 4.87% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$933,971.

The original cost of the District's capital assets was \$29.0 million. Governmental funds account for \$28.8 million with the remainder of \$.2 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$1,498,408 at June 30, 2006, compared to \$1,006,130 reported at June 30, 2007. This decrease resulted from machinery and equipment disposal of the District's school bus fleet.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 7,500	7,500	0	0	7,500	7,500	0.00%
Buildings	10,251,737	10,269,455	0	0	10,251,737	10,269,455	-0.17%
Land improvements	747,039	822,132	0	0	747,039	822,132	-10.05%
Machinery and equipment	899,852	1,402,108	106,278	96,300	1,006,130	1,498,408	-48.93%
Total	\$ 11,906,128	12,501,195	106,278	96,300	12,012,406	12,597,495	-4.87%

Long-Term Debt

At June 30, 2007, the District had \$8,389,231 in general obligation bonds payable, revenue bonds payable and early retirement payable. This represents a decrease of 12.3% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonds of \$4,025,000 at June 30, 2007.

The District had outstanding revenue bonded indebtedness of \$4,075,000 at June 30, 2007.

The District had total outstanding Early Retirement payable of \$289,231 at June 30, 2007.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total
	2007	2006	Change
General obligation bonds	\$ 4,025,000	4,480,000	-10.2%
Revenue bonds	4,075,000	4,890,000	-16.7%
Early Retirement	289,231	196,794	47.0%
Totals	\$ 8,389,231	9,566,794	-12.3%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District's major funding sources are based on student enrollment numbers gathered in September of every year. Saydel Community School District has seen a decline in basic enrollment from 1409.9 in 2004, 1,358.1 in 2005 to 1,323.5 in 2006. This normally represents a significant reduction in funding for the school, but it must also be noted that while the District experienced a decline in resident students, it also recorded an increase in open enrolled students, 148 in 2004, 188 in 2005 and 208 in 2006. The funds for educating those students will come from their resident Districts.
- It remains a concern for the District that the overall student population has seen a decline, but it is hoped that the planned-for, additional, affordable housing in the area will become a reality in the near future. It is not unreasonable to assume that at least a portion of the housing would be purchased by those with school age families. Saydel CSD has a traditionally stable population, often seeing those educated here remain in the District after graduation, and the additional housing is seen as an opportunity to help keep the enrollment numbers in a more stable position.

-
- While the proposed additional housing would increase the tax base from the residential side of the spectrum, the business support of the tax base has not demonstrated many new additions. Construction on the incarceration center to be built in the District has begun but it will not add to the tax base. The businesses in the District area do appear to be continuing to grow so that the tax burden remains apparently stable.
 - It is a concern of this District, as well as every District in the state, that certain costs will continue to increase, such as those associated with negotiated agreements with unions, i.e. salaries and benefits. The District continues to approve an Early Retirement Plan in an effort to achieve costs savings through higher paid teachers retiring early and hiring less experienced teachers as replacements that typically will be paid less, thus resulting in a cost savings to the General Fund. Other uncontrolled costs such as fuel also continue to be watched. With the legislature's hesitancy to fully fund and increase funding, knowing that these costs will continue to rise, the District remains vigilant to use completely and efficiently all the resources it has at its disposal.
 - In an effort to ensure the efficient use of all resources, the District maintains a conservative approach to budgeting. It may also be worth noting that no matter the funding source, whether the state or individual taxpayers, any funds budgeted for are never fully received, hence encouraging the conservative approach. Even given the concerns, it is the belief that the overall financial health of the District will remain stable.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jennifer Jamison, District Treasurer and Business Manager, Saydel Community School District, 5740 NE 14th St, Des Moines, Iowa, 50313.

BASIC FINANCIAL STATEMENTS

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 7,997,845	306,502	8,304,347
Receivables:			
Property tax:			
Delinquent	96,657	0	96,657
Succeeding year	7,085,693	0	7,085,693
Accounts	4,975	1,166	6,141
Due from other governments	731,328	0	731,328
Inventories	0	13,422	13,422
Capital assets, net of accumulated depreciation(Note 4)	11,906,128	106,278	12,012,406
TOTAL ASSETS	27,822,626	427,368	28,249,994
LIABILITIES			
Accounts payable	392,363	6,930	399,293
Salaries and benefits payable	1,104,962	7,783	1,112,745
Accrued interest payable	96,924	0	96,924
Deferred revenue:			
Succeeding year property tax	7,085,693	0	7,085,693
Other	1,988	0	1,988
Unearned revenue	0	4,235	4,235
Long-term liabilities(Note 5):			
Portion due within one year:			
General obligation bonds payable	500,000	0	500,000
Revenue bonds payable	1,325,000	0	1,325,000
Early retirement payable	114,775	0	114,775
Portion due after one year:			
General obligation bonds payable	3,525,000	0	3,525,000
Revenue bonds payable	2,750,000	0	2,750,000
Early retirement payable	174,456	0	174,456
TOTAL LIABILITIES	17,071,161	18,948	17,090,109
NET ASSETS			
Invested in capital assets, net of related debt	7,215,810	106,278	7,322,088
Restricted for:			
Phase III	9,361	0	9,361
Salary improvement program	20,745	0	20,745
Additional teacher contract day	2,221	0	2,221
Market factor	9,937	0	9,937
Early childhood programs grant	18,255	0	18,255
Management levy	679,783	0	679,783
Physical plant and equipment levy	442,892	0	442,892
Other special revenue purposes	89,389	0	89,389
Unrestricted	2,263,072	302,142	2,565,214
TOTAL NET ASSETS	\$ 10,751,465	408,420	11,159,885

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 5,012,022	894,086	854,364	(3,263,572)	0	(3,263,572)
Special instruction	2,284,220	309,981	75,161	(1,899,078)	0	(1,899,078)
Other instruction	1,274,755	163,305	0	(1,111,450)	0	(1,111,450)
	8,570,997	1,367,372	929,525	(6,274,100)	0	(6,274,100)
Support services:						
Student services	415,282	0	0	(415,282)	0	(415,282)
Instructional staff services	330,929	0	0	(330,929)	0	(330,929)
Administration services	1,935,431	0	0	(1,935,431)	0	(1,935,431)
Operation and maintenance of plant services	1,341,953	0	0	(1,341,953)	0	(1,341,953)
Transportation services	698,048	0	4,612	(693,436)	0	(693,436)
	4,721,643	0	4,612	(4,717,031)	0	(4,717,031)
Other expenditures:						
Long-term debt interest	319,073	0	0	(319,073)	0	(319,073)
AEA flowthrough	423,414	0	423,414	0	0	0
Depreciation (unallocated)*	552,048	0	0	(552,048)	0	(552,048)
	1,294,535	0	423,414	(871,121)	0	(871,121)
Total governmental activities	14,587,175	1,367,372	1,357,551	(11,862,252)	0	(11,862,252)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	613,174	354,402	300,917	0	42,145	42,145
Other business-type activities	110,941	105,716	0	0	(5,225)	(5,225)
Total business-type activities	724,115	460,118	300,917	0	36,920	36,920
Total	\$ 15,311,290	1,827,490	1,658,468	(11,862,252)	36,920	(11,825,332)
General Revenues:						
Local tax for:						
General purposes				\$ 5,184,240	0	5,184,240
Debt service				635,728	0	635,728
Capital outlay				829,563	0	829,563
Local option sales and services tax				1,382,963	0	1,382,963
Unrestricted state grants				4,496,528	0	4,496,528
Unrestricted investment earnings				298,546	9,514	308,060
Other				202,300	0	202,300
Total general revenues				13,029,868	9,514	13,039,382
Changes in net assets before other financing uses				1,167,616	46,434	1,214,050
Other financing uses:						
Transfer out				(27,626)	0	(27,626)
Change in net assets				1,139,990	46,434	1,186,424
Net assets beginning of year				9,611,475	361,986	9,973,461
Net assets end of year				\$ 10,751,465	408,420	11,159,885

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Manage- ment Levy	Physical Plant and Equipment Levy	Debt Service	Other Nonmajor Funds	Total
ASSETS						
Cash and pooled investments	\$ 2,991,841	963,634	623,240	3,318,847	100,283	7,997,845
Receivables:						
Property tax:						
Delinquent	69,915	5,380	12,094	9,268	0	96,657
Succeeding year	5,248,006	300,000	865,982	671,705	0	7,085,693
Accounts	4,975	0	0	0	0	4,975
Due from other governments	554,940	0	0	0	176,388	731,328
TOTAL ASSETS	\$ 8,869,677	1,269,014	1,501,316	3,999,820	276,671	15,916,498
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 191,130	0	192,442	0	8,791	392,363
Salaries and benefits payable	1,104,962	0	0	0	0	1,104,962
Deferred revenue:						
Succeeding year property tax	5,248,006	300,000	865,982	671,705	0	7,085,693
Other	1,988	0	0	0	0	1,988
Total liabilities	6,546,086	300,000	1,058,424	671,705	8,791	8,585,006
Fund balances:						
Reserved for:						
Phase III	9,361	0	0	0	0	9,361
Salary improvement program	20,745	0	0	0	0	20,745
Additional teacher contract day	2,221	0	0	0	0	2,221
Market factor	9,937	0	0	0	0	9,937
Early childhood programs grant	18,255	0	0	0	0	18,255
Debt service	0	0	0	3,328,115	0	3,328,115
Unreserved:						
General	2,263,072	0	0	0	0	2,263,072
Management levy	0	969,014	0	0	0	969,014
Physical plant and equipment levy	0	0	442,892	0	0	442,892
Capital projects	0	0	0	0	178,491	178,491
Student activity	0	0	0	0	89,389	89,389
Total fund balances	2,323,591	969,014	442,892	3,328,115	267,880	7,331,492
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,869,677	1,269,014	1,501,316	3,999,820	276,671	15,916,498

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2007

Total fund balances of governmental funds (page 16) \$ 7,331,492

*Amounts reported for governmental activities in the
 statement of net assets are different because:*

Capital assets used in governmental activities are not
 financial resources and, therefore, are not report as
 assets in in the governmental funds. 11,906,128

Accrued interest payable on long-term liabilities is not
 due and payable in the current period and, therefore, is
 not reported as a liability in the governmental funds. (96,924)

Long-term liabilities, including general obligation bonds payable,
 revenues bonds payable and early retirement payable,
 are not due and payable in the current period and, therefore,
 are not reported as liabilities in the governmental funds. (8,389,231)

Net assets of governmental activites (page 14) \$ 10,751,465

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Management Levy	Physical Plant and Equipment Levy	Debt Service	Other Nonmajor Funds	Total
REVENUES:						
Local sources:						
Local tax	\$ 4,815,204	369,036	829,563	635,728	1,382,963	8,032,494
Tuition	1,203,159	0	0	0	0	1,203,159
Other	242,601	72,779	14,177	119,278	216,224	665,059
State sources	5,575,420	179	402	308	0	5,576,309
Federal sources	277,271	0	499	0	0	277,770
Total revenues	12,113,655	441,994	844,641	755,314	1,599,187	15,754,791
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	4,695,654	69,218	0	0	0	4,764,872
Special instruction	2,269,487	0	0	0	0	2,269,487
Other instruction	1,041,287	66,113	0	0	177,102	1,284,502
	8,006,428	135,331	0	0	177,102	8,318,861
Support services:						
Student services	413,741	0	0	0	0	413,741
Instructional staff services	327,655	0	0	0	8,401	336,056
Administration services	1,658,291	127	0	0	0	1,658,418
Operation and maintenance of plant services	1,053,819	278,532	0	0	2,110	1,334,461
Transportation services	535,258	16	0	0	0	535,274
	3,988,764	278,675	0	0	10,511	4,277,950
Other expenditures:						
Facilities acquisitions	0	0	560,307	0	7,266	567,573
Long-term debt:						
Principal	0	0	0	1,270,000	0	1,270,000
Interest and fiscal charges	0	0	0	333,618	0	333,618
AEA flowthrough	423,414	0	0	0	0	423,414
	423,414	0	560,307	1,603,618	7,266	2,594,605
Total expenditures	12,418,606	414,006	560,307	1,603,618	194,879	15,191,416
Excess(deficiency) of revenues over(under) expenditures	(304,951)	27,988	284,334	(848,304)	1,404,308	563,375
Other financing sources(uses):						
Transfers in	0	0	0	1,168,858	0	1,168,858
Transfers out	0	0	0	0	(1,196,484)	(1,196,484)
Sale of property	0	0	7,200	0	0	7,200
Total other financing sources(uses)	0	0	7,200	1,168,858	(1,196,484)	(20,426)
Net change in fund balances	(304,951)	27,988	291,534	320,554	207,824	542,949
Fund balance beginning of year	2,628,542	941,026	151,358	3,007,561	60,056	6,788,543
Fund balance end of year	\$ 2,323,591	969,014	442,892	3,328,115	267,880	7,331,492

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 18) \$ 542,949

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 713,609	
Depreciation expense	(916,291)	
Loss on disposal of capital assets	<u>(392,385)</u>	(595,067)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets 1,270,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 14,545

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	<u>(92,437)</u>
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Changes in net assets of governmental activities (page 15) \$ 1,139,990

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007

	School Nutrition	Cornell Elem.	Eagles Nest	Total
ASSETS				
Cash and cash equivalents	\$ 213,575	31,256	61,671	306,502
Accounts receivable	1,166	0	0	1,166
Inventories	13,422	0	0	13,422
Capital assets, net of accumulated depreciation(Note 4)	106,278	0	0	106,278
TOTAL ASSETS	334,441	31,256	61,671	427,368
LIABILITIES				
Accounts payable	268	6,604	58	6,930
Salaries and benefits payable	0	0	7,783	7,783
Unearned revenue	4,235	0	0	4,235
TOTAL LIABILITIES	4,503	6,604	7,841	18,948
NET ASSETS				
Invested in capital assets, net of related debt	106,278	0	0	106,278
Unrestricted	223,660	24,652	53,830	302,142
TOTAL NET ASSETS	\$ 329,938	24,652	53,830	408,420

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	School Nutrition	Cornell Elem.	Eagles Nest	Total
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 354,402	16,987	88,729	460,118
TOTAL OPERATING REVENUES	354,402	16,987	88,729	460,118
OPERATING EXPENSES:				
Non-instructional programs:				
Salaries	232,982	0	63,343	296,325
Benefits	57,310	0	7,842	65,152
Services	10,881	500	5,413	16,794
Supplies	294,321	20,401	13,442	328,164
Depreciation	17,680	0	0	17,680
TOTAL OPERATING EXPENSES	613,174	20,901	90,040	724,115
OPERATING LOSS	(258,772)	(3,914)	(1,311)	(263,997)
NON-OPERATING REVENUES:				
State sources	6,904	0	0	6,904
Federal sources	294,013	0	0	294,013
Interest on investments	5,688	1,176	2,650	9,514
TOTAL NON-OPERATING REVENUES	306,605	1,176	2,650	310,431
Change in net assets	47,833	(2,738)	1,339	46,434
Net assets beginning of year	282,105	27,390	52,491	361,986
Net assets end of year	\$ 329,938	24,652	53,830	408,420

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2007

	School Nutrition	Cornell Elem.	Eagles Nest	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 327,299	0	0	327,299
Cash received from miscellaneous	27,791	16,987	88,729	133,507
Cash payments to employees for services	(290,292)	0	(67,557)	(357,849)
Cash payments to suppliers for goods or services	(277,573)	(14,297)	(19,197)	(311,067)
Net cash provided by(used in) operating activities	(212,775)	2,690	1,975	(208,110)
Cash flows from non-capital financing activities:				
State grants received	6,904	0	0	6,904
Federal grants received	260,788	0	0	260,788
Net cash provided by non-capital financing activities	267,692	0	0	267,692
Cash flows from capital and related financing activities:				
Purchase of capital assets	(27,658)	0	0	(27,658)
Net cash used in capital and related financing activities	(27,658)	0	0	(27,658)
Cash flows from investing activities:				
Interest on investments	5,688	1,176	2,650	9,514
Net cash provided by investing activities	5,688	1,176	2,650	9,514
Net increase in cash and cash equivalents	32,947	3,866	4,625	41,438
Cash and cash equivalents at beginning of year	180,628	27,390	57,046	265,064
Cash and cash equivalents at end of year	\$ 213,575	31,256	61,671	306,502
Reconciliation of operating loss to net cash provided by(used in) operating activities:				
Operating loss	\$ (258,772)	(3,914)	(1,311)	(263,997)
Adjustments to reconcile operating loss to net cash provided by(used in) operating activities:				
Commodities consumed	32,626	0	0	32,626
Depreciation	17,680	0	0	17,680
Increase in inventories	(4,334)	0	0	(4,334)
Increase(Decrease) in accounts payable	(663)	6,604	(342)	5,599
Increase in salaries and benefits payable	0	0	3,628	3,628
Increase in deferred revenue	688	0	0	688
Net cash provided by(used in) operating activities	\$ (212,775)	2,690	1,975	(208,110)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:				
Current assets:				
Cash and pooled investments	\$ 213,575	31,256	61,671	306,502

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$32,626.

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2007

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	<u>\$ 27,856</u>
LIABILITIES	
	<u>0</u>
NET ASSETS	
Reserved for scholarships	<u><u>\$ 27,856</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2007

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest on investments	\$ 1,380
Total additions	<u>1,380</u>
Deletions:	
Regular instruction:	
Scholarships awarded	<u>1,150</u>
Total deletions	<u>1,150</u>
Change in net assets before other financing sources	230
Other financing sources:	
Transfer in	<u>27,626</u>
Change in net assets	27,856
Net assets beginning of year	<u>0</u>
Net assets end of year	<u>\$ 27,856</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(1) **Summary of Significant Accounting Policies**

The Saydel Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Des Moines, Iowa, and the predominate agricultural territory in Polk County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Saydel Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Saydel Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Polk County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Management Fund is utilized to account for the payment of property insurance, early retirement benefits and unemployment benefits.

The Physical Plant and Equipment Levy Fund is utilized to account for building improvements and equipment purchases.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary funds are the School Nutrition Fund, Cornell Elementary Preschool Fund, and Eagles Nest Daycare Fund. The Nutrition fund is used to account for

the food service operations of the District. The Cornell Elementary Preschool Fund is used to account for the preschool operations of the District. The Eagles Nest Daycare fund is used to account for the daycare operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the

government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$1,349,513.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered

open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 617,823</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 1,168,858
Private Purpose Trust Fund	Expendable Trust	<u>27,626</u>
Total		<u>\$ 1,196,484</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business-type activities:				
Machinery and equipment	\$ 195,546	27,658	8,098	215,106
Less accumulated depreciation	99,246	17,680	8,098	108,828
Business-type activities capital assets, net	<u>\$ 96,300</u>	<u>9,978</u>	<u>0</u>	<u>106,278</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,500	0	0	7,500
Total capital assets not being depreciated	7,500	0	0	7,500
Capital assets being depreciated:				
Buildings	24,444,828	459,237	0	24,904,065
Land improvements	1,502,613	0	0	1,502,613
Machinery and equipment	3,912,840	254,372	1,744,704	2,422,508
Total capital assets being depreciated	29,860,281	713,609	1,744,704	28,829,186
Less accumulated depreciation for:				
Buildings	14,175,373	476,955	0	14,652,328
Land improvements	680,481	75,093	0	755,574
Machinery and equipment	2,510,732	364,243	1,352,319	1,522,656
Total accumulated depreciation	17,366,586	916,291	1,352,319	16,930,558
Total capital assets being depreciated, net	12,493,695	(202,682)	392,385	11,898,628
Governmental activities capital assets, net	\$ 12,501,195	(202,682)	392,385	11,906,128

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 238,630
Special	19,233
Other	880
Support services:	
Student	3,351
Instructional staff	8,166
Administration	31,783
Operation and maintenance of plant	8,987
Transportation	53,213
	364,243
Unallocated depreciation	552,048
Total governmental activities depreciation expense	\$ 916,291
Business-type activities:	
Food service operations	\$ 17,680

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 4,480,000	0	455,000	4,025,000	500,000
Revenue bonds	4,890,000	0	815,000	4,075,000	1,325,000
Early retirement	196,794	226,386	133,949	289,231	114,775
Total	\$ 9,566,794	226,386	1,403,949	8,389,231	1,939,775

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonds, which is paid with property taxes levied in the Debt Service Fund, are as follows:

Year Ending June 30,	Bond Issue of January 1, 1999			
	Interest Rates	Principal	Interest	Total
2008	4.25 %	\$ 500,000	171,705	171,705
2009	4.25	525,000	150,455	150,455
2010	4.25	545,000	128,143	128,143
2011	4.25	570,000	104,980	104,980
2012	4.25	600,000	80,755	80,755
2013-14	4.30	1,285,000	83,205	27,950
Total		\$ 4,025,000	719,243	663,988

Revenue Bonds Payable

Details of the District's June 30, 2007 local option sales and services tax revenue bonded indebtedness, which is paid with Local Option Sales and Services Tax reported in the Capital Projects Fund, is as follows:

Year Ending June 30,	Bond Issue of September 1, 2002			Bond Issue of August 1, 2004			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2008	3.00 %	\$ 850,000	109,612	3.00 %	\$ 475,000	7,125	\$ 1,325,000	116,737	1,441,737
2009	3.30	875,000	82,425				875,000	82,425	957,425
2010	3.55	925,000	51,569				925,000	51,569	976,569
2011	3.70	950,000	17,575				950,000	17,575	967,575
Total		\$ 3,600,000	261,181		\$ 475,000	7,125	\$ 4,075,000	268,306	4,343,306

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$720,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be over the age of fifty-five, must have completed ten years of full-time service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is calculated upon 85 percent of the difference between the salary schedule base and the licensed employee's current salary, less supplemental pay or extended contract pay, plus the cost to the school district for providing continuing coverage under the school district's group insurance plan until the licensed employee uses up their reserve. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$419,887, \$403,181 and \$374,134 respectively, equal to the required contributions for each year.

(7) Risk Management

Saydel Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of

assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$423,414 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SAYDEL COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 9,900,712	469,632	10,370,344	11,286,481	11,286,481	(916,137)
State sources	5,576,309	6,904	5,583,213	5,332,961	5,332,961	250,252
Federal sources	277,770	294,013	571,783	515,000	515,000	56,783
Total revenues	15,754,791	770,549	16,525,340	17,134,442	17,134,442	(609,102)
Expenditures:						
Instruction	8,318,861	0	8,318,861	8,767,318	9,666,993	1,348,132
Support services	4,277,950	0	4,277,950	6,624,000	7,073,838	2,795,888
Non-instructional programs	0	724,115	724,115	873,000	873,000	148,885
Other expenditures	2,594,605	0	2,594,605	3,447,061	3,447,061	852,456
Total expenditures	15,191,416	724,115	15,915,531	19,711,379	21,060,892	5,145,361
Excess(deficiency) of revenues over(under) expenditures	563,375	46,434	609,809	(2,576,937)	(3,926,450)	(4,536,259)
Other financing uses, net	(20,426)	0	(20,426)	(1,400,000)	(1,400,000)	(1,379,574)
Excess(deficiency) of revenues over(under) expenditures and other financing uses	542,949	46,434	589,383	(3,976,937)	(5,326,450)	(5,915,833)
Balance beginning of year	6,788,543	361,986	7,150,529	5,854,143	5,854,143	1,296,386
Balance end of year	\$ 7,331,492	408,420	7,739,912	1,877,206	527,693	7,212,219

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$1,349,513.

OTHER SUPPLEMENTARY INFORMATION

SAYDEL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007

	Student Activity	Capital Projects	Total
ASSETS			
Cash and pooled investments	\$ 98,180	2,103	100,283
Receivables:			
Due from other governments	0	176,388	176,388
TOTAL ASSETS	\$ 98,180	178,491	276,671
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 8,791	0	8,791
	8,791	0	8,791
Fund balances:			
Unreserved:			
Undesignated	89,389	178,491	267,880
Total fund balances	89,389	178,491	267,880
TOTAL LIABILITIES AND FUND BALANCES	\$ 98,180	178,491	276,671

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	Student Activity	Expend- able Trust	Capital Projects	Total
REVENUES:				
Local sources:				
Local tax	\$ 0	0	1,382,963	1,382,963
Other	213,832	0	2,392	216,224
TOTAL REVENUES	213,832	0	1,385,355	1,599,187
EXPENDITURES:				
Current:				
Instruction:				
Other instruction	177,102	0	0	177,102
Support services:				
Instructional staff services	8,401	0	0	8,401
Operation and maintenance of plant services	2,110	0	0	2,110
Other expenditures:				
Facilities acquisitions	0	0	7,266	7,266
TOTAL EXPENDITURES	187,613	0	7,266	194,879
EXCESS OF REVENUES OVER EXPENDITURES	26,219	0	1,378,089	1,404,308
OTHER FINANCING USES:				
Transfer out	0	(27,626)	(1,168,858)	(1,196,484)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	26,219	(27,626)	209,231	207,824
FUND BALANCE BEGINNING OF YEAR	63,170	27,626	(30,740)	60,056
FUND BALANCE END OF YEAR	\$ 89,389	0	178,491	267,880

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS Drama	\$ 3,457	2,376	1,470	4,363
HS Band	430	135	0	565
HS Athletics	1,390	53,678	39,107	15,961
Class 2006	2,945	0	0	2,945
Class 2007	0	8,115	6,941	1,174
Class 2008	30	3,302	1,642	1,690
Class 2009	270	20	0	290
Other HS Accounts	33,521	104,736	95,879	42,378
Woodside Accounts	19,036	28,689	32,817	14,908
Cornell Accounts	743	2,638	2,757	624
Norwoodville Accounts	1,348	6,739	7,000	1,087
Interest	0	3,404	0	3,404
Total	\$ 63,170	213,832	187,613	89,389

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$	8,032,494	7,317,531	8,014,844	7,321,833
Tuition		1,203,159	1,009,642	877,047	831,183
Other		665,059	686,507	428,360	340,121
Intermediate sources		0	60	2,121	5,402
State sources		5,576,309	5,503,088	5,555,709	5,634,457
Federal sources		277,770	299,414	296,225	229,517
Total		\$ 15,754,791	14,816,242	15,174,306	14,362,513
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$	4,764,872	4,126,410	4,054,942	3,898,480
Special instruction		2,269,487	2,197,819	2,462,914	2,330,861
Other instruction		1,284,502	1,420,754	782,626	807,675
Support services:					
Student services		413,741	458,322	347,629	382,996
Instructional staff services		336,056	512,939	683,959	377,178
Administration services		1,658,418	1,473,451	1,311,237	1,416,274
Operation and maintenance of plant services		1,334,461	1,789,408	1,530,754	1,203,079
Transportation services		535,274	613,666	558,842	470,960
Non-instructional programs		0	250	1,680	30,253
Other expenditures:					
Facilities acquisitions		567,573	427,769	959,360	3,805,648
Long-term debt:					
Principal		1,270,000	1,385,000	2,415,000	1,280,000
Interest		333,618	373,692	491,051	545,000
AEA flow-through		423,414	412,140	410,100	411,969
Total		\$ 15,191,416	15,191,620	16,010,094	16,960,373

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DONATIONS (non-cash)	10.550	FY 07	\$ 32,626
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 07	57,745
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 07	203,642
			<u>261,387</u>
DEPARTMENT OF DEFENSE:			
POLK COUNTY:			
FLOOD CONTROL PROJECTS	12.106	FY 07	499
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 07	129,862
INNOVATIVE EDUCATION PROGRAM			
STRATEGIES (TITLE V PROGRAM)	84.151	FY 06	1,551
INNOVATIVE EDUCATION PROGRAM			
STRATEGIES (TITLE V PROGRAM)	84.151	FY 07	2,551
			<u>4,102</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 07	5,445
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 07	42,369
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 06	8,855
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 07	5,032
			<u>13,887</u>
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	FY 07	17,442
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 07	14,010

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT (CONTINUED):			
AREA EDUCATION AGENCY (CONTINUED):			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 07	<u>75,161</u>
READING FIRST STATE GRANTS	84.357	FY 07	<u>285</u>
TOTAL			<u>\$ 597,075</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Saydel Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Saydel Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Saydel Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 10, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Saydel Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Saydel Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Saydel Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Saydel Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Saydel Community School District's financial statements that is more than inconsequential will not be prevented or detected by Saydel Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Saydel Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Saydel Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Saydel Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Saydel Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Saydel Community School District and other parties to whom Saydel Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Saydel Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

December 10, 2007

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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Saydel Community School District

Compliance

We have audited the compliance of Saydel Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Saydel Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Saydel Community School District's management. Our responsibility is to express an opinion on Saydel Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Saydel Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Saydel Community School District's compliance with those requirements.

In our opinion, Saydel Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Saydel Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Saydel Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Saydel Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Saydel Community School District and other parties to whom Saydel Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

December 10, 2007

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part I: Summary of the Independent Auditor's Report

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No significant deficiency in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program were as follows:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - Clustered programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Saydel Community School District did not qualify as a low-risk auditee.

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted in the Student Activity Fund that the cash receipts and bank deposits were done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

II-B-07 Retiree Health Insurance - The District paid early retirement insurance from the Management Levy Fund for retirees remaining on the District's insurance plan. The early retirement incentive balance for health insurance is reduced monthly and when the balance reaches zero the retiree is obligated to pay the insurance to remain on the District's plan. The retiree paid the District and the revenue was placed in the General Fund, but the expenses were paid out of the Management Levy Fund. This deficiency was corrected at the time of audit by moving the revenue to the Management Levy Fund.

Recommendation - The District should monitor the balances remaining in the early retirement incentive for health insurance. When the incentive balance is zero, the District should have the revenue offset the expenses for health insurance in a balance sheet account not showing any revenue or expense to the District. GASB Statement 45 will require the District to have an actuarial completed to account for the cost of retirees remaining on the District's insurance plan effective June 30, 2009.

Response - We will monitor the balances, net out the early retirement transactions and begin the process to schedule an actuarial firm.

Conclusion - Response accepted.

II-C-07 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st. The District should research the outstanding checks to determine if they should be reissued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Response - We will investigate the outstanding checks and take the appropriate action.

Conclusion - Response accepted.

II-D-07 Authorized Check Signatures - Checks written from the all funds have two signatures; however, the board secretary is not signing the checks.

Recommendation - The Board President and Board Secretary are to sign all checks written by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - We corrected the signatures on the checks shortly after the field audit.

Conclusion - Response accepted.

II-E-07 Misappropriation of Funds - We noted during our audit that the District had a purchase order that was approved for the purchase of two backpacks. However, the purchase also included spices, knives and blankets.

Recommendation - The District should review purchase order procedures in place to ensure misappropriation does not occur.

Response - The District will investigate and put in the proper internal controls to address/prevent the misappropriations from occurring.

Conclusion - Response accepted.

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-07 Certified Budget - District disbursements for the year ended June 30, 2007, did not exceed the amount budgeted.

IV-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-07 Business Transactions - No business transactions between the District and District officials or employees were noted.

IV-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will take steps to improve publishing in a more timely fashion

Conclusion - Response accepted.

IV-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.